

JAN 03 2006

Michigan Department of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | | | |
|---|--|--|--|---|--|
| Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name City of Marlette | | LOCAL AUDIT & FINANCE DIV. Sanilac | |
| Audit Date 9/22/05 | | Opinion Date 9/22/05 | | Date Accountant Report Submitted to State: 12/28/05 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

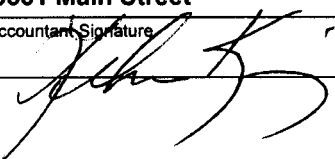
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | ✓ | |

| | | | |
|---|--|-------------------------|-------------------------|
| Certified Public Accountant (Firm Name) Lehn L. King, C.P.A. | | | |
| Street Address 3531 Main Street | | City Marlette | State MI |
| Accountant Signature  | | ZIP 48453 | Date 12/28/05 |

City of Marlette
Annual Financial Report
For The Year Ended June 30, 2005

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Honorable City Council
City of Marlette
Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marlette, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marlette, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Lehn King

Lehn L. King
Certified Public Accountant

September 22, 2005

City of Marlette

Marlette, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the City of Marlette's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

Financial Highlights

The General Fund for the City of Marlette had a fund balance of \$46,622, as of June 30, 2005.

The City undertook a capital project to construct an Industrial Park. The cost of the project was \$1,161,949. The City was a recipient of two grants to cover the cost of this project. The Federal EDA Grant was in the amount of \$610,412, and the State CDBG Grant was in the amount of \$531,303. The State CDBG Grant has a requirement that 66 new jobs must be created by January 1, 2008. If less than 66 new jobs are created, the City will have to repay a portion of the grant to the State equal to \$10,000 per job.

The City of Marlette entered into an agreement with the Michigan Department of Transportation. The City is to receive a grant in the amount of \$320,000 for the purpose of restoring the historic Train Depot in Marlette. The City agreed to provide a local match of \$80,000. This match money is to be provided by the Marlette Historical Society. In the event that the Historical Society does not meet this obligation, the City is liable for the balance of the match money and the City will also be responsible to properly maintain the Depot in such a manner as to preserve the historical integrity of the features, materials, appearance, workmanship, and environment from the date of the agreement forward. Should the City not assume the loan and/or preserve the historical integrity of the Depot, the City would be required to repay the grant in full and pay the balance on the loan.

The Major and Local Streets Fund provided for major improvements to the infrastructure of the City in the amount of approximately \$430,000.

The City paid a fine of \$97,000 to the DEQ last year and the City has been mandated to construct a retention facility at an approximate cost of \$3,000,000.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

The City as a Whole

The following table shows in a condensed format, the net assets as of the current date and compared to the prior year's net assets.

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|--------------|
| | 6/30/2005 | 6/30/2004 | 6/30/2005 | 6/30/2004 | 6/30/2005 | 6/30/2004 |
| Current Assets | \$ 499,975 | \$ 998,999 | \$ 189,147 | \$ 158,505 | \$ 689,122 | \$ 1,157,504 |
| Noncurrent Assets | 7,888,851 | 6,622,182 | 4,903,295 | 5,072,215 | 12,792,146 | 11,694,397 |
| Total Assets | 8,388,826 | 7,621,181 | 5,092,442 | 5,230,720 | 13,481,268 | 12,851,901 |
| Current Liabilities | 265,016 | 476,733 | 62,359 | 80,882 | 327,375 | 557,615 |
| Noncurrent Liabilities | 2,693,855 | 2,856,763 | 309,738 | 331,749 | 3,003,593 | 3,188,512 |
| Total Liabilities | 2,958,871 | 3,333,496 | 372,097 | 412,631 | 3,330,968 | 3,746,127 |
| Net Assets: | | | | | | |
| Invested in Capital Assets - | | | | | | |
| Net of Related Debt | 5,031,985 | 3,568,751 | 4,554,609 | 4,704,511 | 9,586,594 | 8,273,262 |
| Unrestricted | 397,970 | 718,935 | 165,736 | 113,581 | 563,706 | 832,516 |
| Total Net Assets | \$ 5,429,955 | \$ 4,287,686 | \$ 4,720,345 | \$ 4,818,092 | \$ 10,150,300 | \$ 9,105,778 |

City of Marlette

Marlette, Michigan

The City as a Whole – Continued

The City's combined net assets increased 12% from \$9,105,778 to \$10,150,300. As we look at the governmental activities separately from the business-type (water & sewer) we can see that the governmental activities experienced an increase of approximately \$1,142,269 during the year (a 27.00% increase). The business-type activities (water & sewer) experienced a \$97,747 decrease in net assets (a 2.00% decrease). The assets of the City increased mainly due to the Industrial Park capital project that was funded by two capital grants.

The following table shows the changes of the net assets during the current year:

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> <u>2004-2005</u> |
|------------------------------|--|---|----------------------------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 301,740 | \$ 610,264 | \$ 912,004 |
| Operating Grants & Contrib's | 243,204 | - | 243,204 |
| Capital Grants & Contrib's | 1,184,008 | - | 1,184,008 |
| General Revenues: | | | |
| Property Taxes | 673,856 | - | 673,856 |
| State-Shared Revenues | 246,480 | - | 246,480 |
| Interest | 11,424 | 2,143 | 13,567 |
| Other Revenues | 175,807 | 130,752 | 306,559 |
| Transfers In | 1,102 | - | 1,102 |
| Total Revenues | 2,837,621 | 743,159 | 3,580,780 |
| Program Expenses | | | |
| General Government | \$ 362,062 | \$ - | \$ 362,062 |
| Public Safety | 439,491 | - | 439,491 |
| Public Works | 682,584 | - | 682,584 |
| Recreation & Culture | 92,538 | - | 92,538 |
| Interest on Long-Term Debt | 149,504 | 15,475 | 164,979 |
| Water & Sewer | - | 825,430 | 825,430 |
| Total Program Expenses | 1,726,179 | 840,905 | 2,567,084 |
| Change in Net Assets | <u>\$ 1,111,442</u> | <u>\$ (97,746)</u> | <u>\$ 1,013,696</u> |

City of Marlette

Marlette, Michigan

Economic Factors and Next Year's Budget and Rates

The City of Marlette's 2005/2006 adopted budget is as follows:

| | General Fund | |
|------------------------------|---------------------|-------------------|
| | June 30, | |
| | 2006 | 2005 |
| Revenue | | |
| General Operations | 539,200 | 501,700 |
| Intergovernmental Revenue | 245,000 | 293,200 |
| Charges for Services | 143,150 | 154,600 |
| Grant Proceeds | 11,680 | 44,800 |
| Loan Proceeds | - | - |
| Other | 43,500 | 61,100 |
| Total Revenue Collected | 982,530 | 1,055,400 |
| Expenditures | | |
| General Government | 260,116 | 289,625 |
| Public Safety | 470,500 | 381,524 |
| Public Works | 103,050 | 161,040 |
| Recreation & Culture | 74,250 | 73,360 |
| Capital Outlay | - | 6,000 |
| Debt Service | - | 7,830 |
| Transfers | - | - |
| Total Expenditures | 907,916 | 919,379 |
| Net Over/Under Budget | \$ 74,614 | \$ 136,021 |

Contacting the City

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City office at the City Hall in Marlette, Michigan or by telephone at (989) 635-7448.

Steve Schaub
City of Marlette, Manager

City of Marlette

Statement of Net Assets (Deficit)

June 30, 2005

| | Primary Government | | |
|-------------------------------------|------------------------|------------------------|-------------------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| <u>Assets</u> | | | |
| Cash & Cash Equivalents | \$ 405,405.15 | \$ 107,328.36 | \$ 512,733.51 |
| Accounts Receivable | 68,478.10 | 78,409.00 | 146,887.10 |
| Prepaid Expenditures | 8,955.84 | 3,409.29 | 12,365.13 |
| Due From Other Funds (Net) | 17,136.16 | - | 17,136.16 |
| Capital Assets | | | |
| Nondepreciable Capital Assets | 221,357.50 | 21,225.37 | 242,582.87 |
| Net Depreciable Capital Assets | 7,667,493.06 | 4,865,181.01 | 12,532,674.07 |
| Restricted Cash - Bond Reserve | - | 16,888.33 | 16,888.33 |
| Total Assets | 8,388,825.81 | 5,092,441.36 | 13,481,267.17 |
| <u>Liabilities</u> | | | |
| Accounts Payable | 102,005.18 | 24,299.48 | 126,304.66 |
| Due To Other Funds | - | 16,000.00 | 16,000.00 |
| Current Portion of Long-Term Debt | 163,010.78 | 22,060.00 | 185,070.78 |
| Noncurrent Liabilities: | | | |
| Long-Term Debt | 2,693,855.00 | 309,737.55 | 3,003,592.55 |
| Total Liabilities | 2,958,870.96 | 372,097.03 | 3,330,967.99 |
| Net Assets (Deficit) | | | |
| Invested in Capital Assets - Net of | | | |
| Related Debt | 5,031,984.78 | 4,554,608.83 | 9,586,593.61 |
| Unrestricted | 397,970.07 | 165,735.50 | 563,705.57 |
| Total Net Assets (Deficit) | \$ 5,429,954.85 | \$ 4,720,344.33 | \$ 10,150,299.18 |

The notes are an integral part of the statements.

City of Marlette
Statement of Activities
For the Year Ended June 30, 2005

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue & Changes in Net Assets | | |
|---|------------------------|----------------------|----------------------------------|--------------------------------|---|---|-------------------------|
| | Expenses | Charges for Services | Operating Grants & Contributions | | Governmental Activities | Primary Government Business-type Activities | |
| | | | Grants & Contributions | Capital Grants & Contributions | | Activities | Totals |
| <u>Primary Government:</u> | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 362,062.45 | \$ 149,015.65 | \$ - | \$ - | \$ (213,046.80) | \$ - | \$ (213,046.80) |
| Public Safety | 439,491.09 | 8,056.00 | - | 52,111.14 | (379,323.95) | - | (379,323.95) |
| Public Works | 682,584.48 | 122,179.38 | 243,204.09 | 1,131,897.10 | 814,696.09 | - | 814,696.09 |
| Recreation & Culture | 92,538.33 | 22,488.85 | - | - | (70,049.48) | - | (70,049.48) |
| Interest on Long-Term Debt | 149,504.37 | - | - | - | (149,504.37) | - | (149,504.37) |
| <u>Total Governmental Activities</u> | <u>1,726,180.72</u> | <u>301,739.88</u> | <u>243,204.09</u> | <u>1,184,008.24</u> | <u>2,771.49</u> | <u>-</u> | <u>2,771.49</u> |
| <u>Business-type Activities</u> | | | | | | | |
| Interest on Long-Term Debt | 825,429.54 | 610,264.38 | - | - | - | (215,165.16) | (215,165.16) |
| | 15,475.45 | - | - | - | - | (15,475.45) | (15,475.45) |
| <u>Total Business-type Activities</u> | <u>840,904.99</u> | <u>610,264.38</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(230,640.61)</u> | <u>(230,640.61)</u> |
| <u>Total Primary Government</u> | <u>\$ 2,551,610.26</u> | <u>\$ 912,004.26</u> | <u>\$ 243,204.09</u> | <u>\$ 1,184,008.24</u> | <u>\$ 2,771.49</u> | <u>\$ (230,640.61)</u> | <u>\$ (227,869.12)</u> |
| <u>General Revenues:</u> | | | | | | | |
| Property Taxes | | | | | \$ 673,855.98 | \$ - | \$ 673,855.98 |
| State Shared Revenues | | | | | 246,479.50 | - | 246,479.50 |
| Interest | | | | | 11,423.89 | 2,142.84 | 13,566.73 |
| Other Revenues | | | | | 175,807.40 | 130,751.99 | 306,559.39 |
| Transfers | | | | | 1,101.82 | - | 1,101.82 |
| Total General Revenues, Special Items & Transfers | | | | | <u>1,108,668.59</u> | <u>132,894.83</u> | <u>1,241,563.42</u> |
| <u>Change in Net Assets</u> | | | | | <u>1,111,440.08</u> | <u>(97,745.78)</u> | <u>1,013,694.30</u> |
| <u>Net Assets (Deficit) - Beginning of Year</u> | | | | | <u>4,318,514.77</u> | <u>4,818,090.11</u> | <u>9,136,604.88</u> |
| <u>Net Assets (Deficit) - End of Year</u> | | | | | <u>\$ 5,429,954.85</u> | <u>\$ 4,720,344.33</u> | <u>\$ 10,150,299.18</u> |

The notes are an integral part of the statements.

City of Marlette
Balance Sheet
Governmental Funds
June 30, 2005

| | Major Special Revenue Funds | | | | | | | | | | Major Capital Project Funds | | | |
|---|-----------------------------|---------------------|--------------------|---------------------|--------------------------------|-------------------------------------|---------------------|---------------------|--------------------------|-------------------------|-----------------------------|--|--|--|
| | General Fund | Major Street | Local Street | Municipal Street | Downtown Development Authority | Local Development Finance Authority | Country Fair Days | Debt Service Fund | Cemetery Memorial Chapel | Train Depot Restoration | Total Governmental Funds | | | |
| | | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | | |
| Cash & C of D's | \$ 72,310.31 | \$ 41,717.28 | \$ 3,493.02 | \$ 82,488.60 | \$ 151,156.80 | \$ 2,752.37 | \$ 12,763.41 | \$ 9,918.35 | \$ 5,480.19 | \$ 1.00 | \$ 382,081.33 | | | |
| Receivables: | | | | | | | | | | | | | | |
| Accounts Receivable | 1,126.39 | - | - | - | - | - | - | 4,596.35 | - | - | 5,722.74 | | | |
| Sales Tax | 30,742.00 | - | - | - | - | - | - | - | - | - | 30,742.00 | | | |
| Grant | - | - | - | - | - | - | - | - | - | 32,013.36 | 32,013.36 | | | |
| Prepaid Expenditures | 8,955.84 | - | - | - | - | - | - | - | - | - | 8,955.84 | | | |
| Due from Other Funds | 1,165.92 | 3,705.43 | - | - | 15,342.77 | 29,549.17 | - | 16,000.00 | - | - | 65,763.29 | | | |
| Total Assets | 114,300.46 | 45,422.71 | 3,493.02 | 82,488.60 | 166,499.57 | 32,301.54 | 12,763.41 | 30,514.70 | 5,480.19 | 32,014.36 | 525,278.56 | | | |
| Liabilities & Fund Balance | | | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | | | |
| Accounts Payable | 16,696.13 | 4,200.00 | 800.00 | - | - | 35,608.58 | - | - | - | 26,428.50 | 83,733.21 | | | |
| Accrued Payroll | 18,271.97 | - | - | - | - | - | - | - | - | - | 18,271.97 | | | |
| Due to Other Funds | 32,709.94 | 89.93 | 3,162.44 | - | 3,705.43 | - | - | 774.99 | - | - | 40,442.73 | | | |
| Total Liabilities | 67,678.04 | 4,289.93 | 3,962.44 | - | 3,705.43 | 35,608.58 | - | 774.99 | - | 26,428.50 | 142,447.91 | | | |
| Fund Balance | | | | | | | | | | | | | | |
| Fund Balance | | | | | | | | | | | | | | |
| Unreserved - Undesignated | 46,622.42 | 41,132.78 | (469.42) | 82,488.60 | 162,794.14 | (3,307.04) | 12,763.41 | 29,739.71 | 5,480.19 | 5,585.86 | 382,830.65 | | | |
| Total Fund Balance | 46,622.42 | 41,132.78 | (469.42) | 82,488.60 | 162,794.14 | (3,307.04) | 12,763.41 | 29,739.71 | 5,480.19 | 5,585.86 | 382,830.65 | | | |
| Total Liabilities & Fund Balance | \$ 114,300.46 | \$ 45,422.71 | \$ 3,493.02 | \$ 82,488.60 | \$ 166,499.57 | \$ 32,301.54 | \$ 12,763.41 | \$ 30,514.70 | \$ 5,480.19 | \$ 32,014.36 | \$ 525,278.56 | | | |

The notes are an integral part of the statements

City of Marlette
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended June 30, 2005

| | |
|--|----------------------|
| Total Fund Balances for Governmental Funds & Equipment Fund | \$ 681,651.22 |
|--|----------------------|

Amounts reported for governmental activities in the statement of
net assets (deficit) are different because:

| | |
|---|--------------|
| Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds | 7,588,581.63 |
|---|--------------|

| | |
|--|-----------------------|
| Long-term bonds payable are not due and payable in the current period and are not reported in the Funds | <u>(2,840,278.00)</u> |
|--|-----------------------|

| | |
|--|--------------------------------------|
| Net Assets of Governmental Activities | <u><u>\$ 5,429,954.85</u></u> |
|--|--------------------------------------|

The notes are an integral part of the statements.

City of Marlette

Statement of Revenues, Expenditures, And Changes in Fund Balances Governmental Funds For The Year Ended June 30, 2005

| | Major Special Revenue Funds | | | | | | | | | | Major Capital Project Funds | | | | |
|--|-----------------------------|---------------------|--------------------|---------------------|--------------------------------|-------------------------------|---------------------|---------------------|--------------------------|-------------------------|-----------------------------|--|--|--|--|
| | Local | | | | | | | | | | | | | | |
| | General | Major Street | Local Street | Municipal Street | Downtown Development Authority | Development Finance Authority | Country Fair Days | Debt Service Fund | Cemetery Memorial Chapel | Train Depot Restoration | Total Governmental Funds | | | | |
| Revenues | | | | | | | | | | | | | | | |
| Taxes | \$ 444,069.84 | \$ 33,006.35 | \$ 49,509.51 | \$ - | \$ 113,159.24 | \$ 18,955.55 | \$ - | \$ 15,155.49 | \$ - | \$ - | \$ 673,855.98 | | | | |
| Intergovernmental Revenues | 246,479.50 | 136,132.44 | 39,261.64 | 59,711.81 | - | - | - | - | - | - | 481,585.39 | | | | |
| Licenses, Permits, & Fines | 28,554.04 | - | - | - | - | - | - | - | - | - | 28,554.04 | | | | |
| Charges for Services/Capital Charges | 75,771.81 | - | - | - | - | - | 270.00 | - | - | - | 76,041.81 | | | | |
| Cemetery/Parks & Recreation | 49,818.85 | - | - | - | - | - | - | - | - | - | 49,818.85 | | | | |
| Interest Earnings | 4,750.01 | 1,027.14 | 250.18 | 1,203.70 | 1,188.61 | 1,177.57 | 207.23 | 1,223.21 | 224.50 | - | 11,252.15 | | | | |
| Loan Proceeds | - | - | - | - | - | - | - | - | - | 13,588.20 | 13,588.20 | | | | |
| Grant Proceeds | 52,111.14 | - | - | - | - | 1,061,623.54 | - | - | - | 32,013.36 | 1,145,748.04 | | | | |
| Bond Recovery | - | - | - | - | - | - | - | 54,463.57 | - | - | 54,463.57 | | | | |
| Donations & Contributions | - | - | - | - | - | - | 8,098.20 | - | 24,672.00 | - | 32,770.20 | | | | |
| Other Revenue | 167,426.25 | 1,540.73 | 28.15 | - | 0.80 | 1.37 | 2,040.00 | - | - | 1.00 | 171,038.30 | | | | |
| Total Revenues | 1,068,981.44 | 171,706.66 | 89,049.48 | 60,915.51 | 114,348.65 | 1,081,758.03 | 10,615.43 | 70,842.27 | 24,896.50 | 45,602.56 | 2,738,716.53 | | | | |
| Expenditures | | | | | | | | | | | | | | | |
| General Government | 342,131.96 | - | - | - | - | - | - | 350.00 | 0.49 | - | 342,482.45 | | | | |
| Public Safety | 430,034.09 | - | - | - | - | - | - | - | - | - | 430,034.09 | | | | |
| Public Works | 151,332.78 | 44,472.31 | 39,230.06 | - | 30,793.87 | 20,796.15 | - | - | - | 40,016.70 | 326,641.87 | | | | |
| Recreation & Culture | 87,688.61 | - | - | - | - | - | 4,849.72 | - | - | - | 92,538.33 | | | | |
| Capital Outlay | 19,881.03 | 357,798.24 | 72,999.05 | - | 2,500.00 | 1,078,015.08 | - | - | 59,853.57 | - | 1,591,046.97 | | | | |
| Debt Service - Principal | 5,520.90 | 35,000.00 | - | - | 25,000.00 | 24,732.79 | - | 45,000.00 | - | - | 135,253.69 | | | | |
| Debt Service - Interest | 2,338.28 | 27,868.75 | - | - | 22,177.50 | 5,644.99 | - | 89,417.50 | - | - | 147,447.02 | | | | |
| Total Expenditures | 1,038,927.65 | 465,139.30 | 112,229.11 | - | 80,471.37 | 1,129,189.01 | 4,849.72 | 134,767.50 | 59,854.06 | 40,016.70 | 3,065,444.42 | | | | |
| Excess Of Revenues Over (Under) Expenditures | 30,053.79 | (293,432.64) | (23,179.63) | 60,915.51 | 33,877.28 | (47,430.98) | 5,765.71 | (63,925.23) | (34,957.56) | 5,585.86 | (326,727.89) | | | | |
| Other Financing Sources (Uses) | | | | | | | | | | | | | | | |
| Operating Transfers In (Out) | 1,101.82 | 150,815.02 | 48,100.00 | (198,915.02) | - | - | - | - | - | - | 1,101.82 | | | | |
| Excess Of Revenues & Other Sources Over (Under) Expenditures & Other Uses | 31,155.61 | (142,617.62) | 24,920.37 | (137,999.51) | 33,877.28 | (47,430.98) | 5,765.71 | (63,925.23) | (34,957.56) | 5,585.86 | (325,626.07) | | | | |
| Fund Balance - Beginning of Year | 15,466.81 | 183,750.40 | (25,389.79) | 220,488.11 | 128,916.86 | 44,123.94 | 6,997.70 | 93,664.94 | 40,437.75 | - | 708,456.72 | | | | |
| Fund Balance - End of Year | \$ 46,622.42 | \$ 41,132.78 | \$ (469.42) | \$ 82,488.60 | \$ 162,794.14 | \$ (3,307.04) | \$ 12,763.41 | \$ 29,739.71 | \$ 5,480.19 | \$ 5,585.86 | \$ 382,830.65 | | | | |

The notes are an integral part of the statements

City of Marlette
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund \$ (336,486.41)

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 1,591,046.97

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 135,253.69

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds (278,374.17)

Net Assets of Governmental Activities \$ 1,111,440.08

The notes are an integral part of the statements.

City of Marlette
Statement of Net Assets (Deficit)
Proprietary Funds
June 30, 2005

| | <u>Enterprise Funds</u> | | <u>Totals</u> | <u>Internal</u> |
|--|-------------------------|------------------------|------------------------|----------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Enterprise</u> | <u>Service</u> |
| <u>Assets</u> | <u>Fund</u> | <u>Fund</u> | <u>Funds</u> | <u>Fund</u> |
| | | | | <u>Equipment</u> |
| <u>Current Assets</u> | | | | |
| Cash | \$ 89,692.95 | \$ 17,635.41 | \$ 107,328.36 | \$ 23,323.82 |
| Accounts Receivable | 26,149.00 | 52,260.00 | 78,409.00 | - |
| Prepaid Expenditures | 2,158.71 | 1,250.58 | 3,409.29 | - |
| <u>Total Current Assets</u> | <u>118,000.66</u> | <u>71,145.99</u> | <u>189,146.65</u> | <u>23,323.82</u> |
| <u>Capital Assets</u> | | | | |
| Land | 5,125.00 | 16,100.37 | 21,225.37 | 15,857.50 |
| Equipment | - | - | - | 656,581.00 |
| Sewer System | - | 6,806,744.02 | 6,806,744.02 | - |
| Water System | 980,113.59 | - | 980,113.59 | - |
| <u>Total Capital Assets</u> | <u>985,238.59</u> | <u>6,822,844.39</u> | <u>7,808,082.98</u> | <u>672,438.50</u> |
| Less: Accumulated Depreciation | 423,626.65 | 2,498,049.95 | 2,921,676.60 | 372,169.57 |
| <u>Net Capital Assets</u> | <u>561,611.94</u> | <u>4,324,794.44</u> | <u>4,886,406.38</u> | <u>300,268.93</u> |
| Restricted Cash - Bond Reserve | - | 16,888.33 | 16,888.33 | - |
| <u>Total Assets</u> | <u>679,612.60</u> | <u>4,412,828.76</u> | <u>5,092,441.36</u> | <u>323,592.75</u> |
| <u>Liabilities</u> | | | | |
| <u>Current Liabilities</u> | | | | |
| Accounts Payable | - | 24,299.48 | 24,299.48 | - |
| Due To Other Funds | - | 16,000.00 | 16,000.00 | 8,184.40 |
| Current Portion of Long-Term Liabilities | 18,060.00 | 4,000.00 | 22,060.00 | 16,587.78 |
| <u>Total Current Liabilities</u> | <u>18,060.00</u> | <u>44,299.48</u> | <u>62,359.48</u> | <u>24,772.18</u> |
| <u>Long-Term Liabilities</u> | | | | |
| Revenue Bonds, Contract Purchases, & Notes Payable | 143,797.55 | 188,000.00 | 331,797.55 | 16,587.78 |
| Less: Current Portion of Long-Term Debt | - | - | - | - |
| Shown Above | 18,060.00 | 4,000.00 | 22,060.00 | 16,587.78 |
| <u>Total Liabilities</u> | <u>143,797.55</u> | <u>228,299.48</u> | <u>372,097.03</u> | <u>24,772.18</u> |
| <u>Net Assets</u> | | | | |
| Invested in Capital Assets Net of Related Debt | 417,814.39 | 4,136,794.44 | 4,554,608.83 | 283,681.15 |
| Unreserved Earnings | 118,000.66 | 47,734.84 | 165,735.50 | 15,139.42 |
| <u>Total Net Assets</u> | <u>\$ 535,815.05</u> | <u>\$ 4,184,529.28</u> | <u>\$ 4,720,344.33</u> | <u>\$ 298,820.57</u> |

City of Marlette
Statement of Revenues, Expenses, And Changes in Net Assets
Proprietary Funds
June 30, 2005

| | <u>Enterprise Funds</u> | | <u>Total</u> | <u>Internal</u> |
|---|-------------------------|------------------------|------------------------|----------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Enterprise</u> | <u>Service</u> |
| | <u>Fund</u> | <u>Fund</u> | <u>Funds</u> | <u>Fund</u> |
| | | | | <u>Equipment</u> |
| <u>Operating Revenues</u> | | | | |
| Charges for Sales & Services | \$ 199,740.56 | \$ 394,212.57 | \$ 593,953.13 | \$ 92,861.61 |
| Tap-in Fees & Installation Fines | - | - | - | - |
| Penalties & Meter Fines | 4,971.20 | 11,340.05 | 16,311.25 | - |
| <u>Total Operating Income</u> | <u>204,711.76</u> | <u>405,552.62</u> | <u>610,264.38</u> | <u>92,861.61</u> |
| <u>Operating Expenses</u> | | | | |
| Salaries, Wages, & Administration | 67,029.66 | 40,989.26 | 108,018.92 | 16,020.35 |
| Fringe Benefits/Payroll Taxes | 33,357.02 | 23,140.91 | 56,497.93 | 7,617.22 |
| Depreciation | 23,676.00 | 145,482.00 | 169,158.00 | 46,202.00 |
| Repairs & Maintenance | 6,325.82 | 125,552.50 | 131,878.32 | 15,938.15 |
| Chemicals & Supplies | 5,149.53 | 3,557.72 | 8,707.25 | 11,721.53 |
| Utilities & Telephone | 10,404.51 | - | 10,404.51 | 4,737.10 |
| Professional Services & Testing | 3,470.84 | 52,319.76 | 55,790.60 | 250.00 |
| Plant Supervision & Operation | - | 236,612.37 | 236,612.37 | - |
| Insurance & Bonds | 625.28 | 6,214.54 | 6,839.82 | 3,166.92 |
| Equipment Rental | 26,955.83 | 7,371.88 | 34,327.71 | - |
| Miscellaneous | 4,366.82 | 2,827.29 | 7,194.11 | 952.17 |
| <u>Total Operating Expenses</u> | <u>181,361.31</u> | <u>644,068.23</u> | <u>825,429.54</u> | <u>106,605.44</u> |
| <u>Operating Income (Loss)</u> | 23,350.45 | (238,515.61) | (215,165.16) | (13,743.83) |
| <u>Non-Operating Revenues (Expenses)</u> | | | | |
| Interest Earned | 1,072.41 | 1,070.43 | 2,142.84 | 171.74 |
| Bond & Contract Interest | (6,925.45) | (8,550.00) | (15,475.45) | (2,057.35) |
| Grant Proceeds | - | - | - | - |
| Sale of Fixed Assets | - | - | - | - |
| Reimbursements & Other Revenue | 11,018.25 | 119,733.74 | 130,751.99 | 4,769.10 |
| Change in Net Assets | 28,515.66 | (126,261.44) | (97,745.78) | (10,860.34) |
| <u>Net Assets - Beginning of Year</u> | 507,299.39 | 4,310,790.72 | 4,818,090.11 | 309,680.91 |
| <u>Net Assets - End of Year</u> | \$ 535,815.05 | \$ 4,184,529.28 | \$ 4,720,344.33 | \$ 298,820.57 |

City of Marlette
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2005

| | Enterprise Funds | | Totals | Internal |
|---|-------------------------|------------------------|-----------------------|---------------------|
| | Water | Sewer | Enterprise | Service |
| | Fund | Fund | Funds | Fund |
| | | | | Equipment |
| <u>Cash Flow From Operating Activities</u> | | | | |
| Receipts from Customers | \$ 202,011.33 | \$ 401,421.89 | \$ 603,433.22 | \$ 92,861.61 |
| Payments for Operation, Maintenance, & Water | (57,058.22) | (437,999.89) | (495,058.11) | (34,163.69) |
| Payments for General & Administration | (105,378.78) | (73,172.00) | (178,550.78) | (27,756.66) |
| Net Cash Provided by Operating Activity | 39,574.33 | (109,750.00) | (70,175.67) | 30,941.26 |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | | |
| Other Nonoperating Revenues | 11,018.25 | 119,733.74 | 130,751.99 | 4,769.10 |
| Interfund Due To/From | - | (4,000.00) | (4,000.00) | 8,184.40 |
| Net Cash Provided by Noncapital Financing Activities | 11,018.25 | 115,733.74 | 126,751.99 | 12,953.50 |
| <u>Cash Flows from Capital & Related Financing Activities</u> | | | | |
| Interest Expense | (6,925.45) | (8,550.00) | (15,475.45) | (2,057.35) |
| Receipt of Capital Contributions | - | - | - | - |
| Increase (Decrease) in Long - Term Debt | (17,255.80) | (2,000.00) | (19,255.80) | (30,680.25) |
| Purchase of Capital Assets | - | - | - | - |
| Sale of Fixed Assets | - | - | - | - |
| Increase in Restricted Assets | - | 236.94 | 236.94 | - |
| Net Cash Provided by Capital & Related Financing Activities | (24,181.25) | (10,313.06) | (34,494.31) | (32,737.60) |
| <u>Cash Flows from Investing Activities</u> | | | | |
| Increase in Customer Deposits | - | - | - | - |
| Interest Received on Investments | 1,072.41 | 833.49 | 1,905.90 | 171.74 |
| Net Cash Provided by Investing Activities | 1,072.41 | 833.49 | 1,905.90 | 171.74 |
| <u>Net Increase (Decrease) in Cash & Cash Equivalents</u> | 27,483.74 | (3,495.83) | 23,987.91 | 11,328.90 |
| <u>Cash & Cash Equivalents - Beginning of Year</u> | 62,209.21 | 38,019.57 | 100,228.78 | 11,994.92 |
| <u>Cash & Cash Equivalents - End of Year</u> | \$ 89,692.95 | \$ 34,523.74 | \$ 124,216.69 | \$ 23,323.82 |
| <u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u> | | | | |
| Operating Income (Loss) | 23,350.45 | (238,515.61) | (215,165.16) | (13,743.83) |
| Adjustments to Reconcile Operating Income (Loss) from Operating Activities: | | | | |
| Depreciation | 23,676.00 | 145,482.00 | 169,158.00 | 46,202.00 |
| Changes in Assets & Liabilities: | | | | |
| Receivables | (2,700.43) | (4,130.73) | (6,831.16) | - |
| Accounts Payable | (4,751.69) | (12,585.66) | (17,337.35) | (1,516.91) |
| Net Cash Provided by Operating Activities | \$ 39,574.33 | \$ (109,750.00) | \$ (70,175.67) | \$ 30,941.26 |

City of Marlette
Statement of Net Assets (Deficit)
Fiduciary Funds
June 30, 2005

| <u>Assets</u> | <u>Pension & Other Trust Funds</u> | <u>Agency Funds</u> |
|---|--|-------------------------|
| Cash & Certificate of Deposit | \$ 75,523.14 | \$ 24,127.83 |
| Investment - Mutual Funds at F.M.V. | 1,225,266.35 | - |
| Contribution Receivable | - | - |
| <u>Total Assets</u> | 1,300,789.49 | <u>\$ 24,127.83</u> |
| <u>Liabilities</u> | | |
| Due To General Fund | - | \$ 1,165.92 |
| Due To Other Governmental Agencies | - | 22,961.81 |
| <u>Total Liabilities</u> | - | <u>\$ 24,127.73</u> |
| <u>Net Assets</u> | | |
| Held in Trust for Pension | 1,225,266.35 | |
| Held in Trust for Cemetery Perpetual Care | 70,848.14 | |
| Unreserved - Undesignated | 4,675.00 | |
| <u>Total Net Assets</u> | <u>\$ 1,300,789.49</u> | |

The notes are an integral part of the statements.

City of Marlette
 Other Supplemental Information
 Statement of Changes in Net Assets
 Fiduciary Funds
 June 30, 2005

| | Pension & Other Trust Funds |
|---|--|
| <u>Additions</u> | |
| Interest Income - Perpetual Care | \$ 1,101.82 |
| Sale of Lots - Perpetual Care | 780.00 |
| Contributions From Employer & Employees | 61,140.45 |
| Interest, Dividends, & Net Adjustment to F.M.V. | 35,692.85 |
| <u>Total Additions</u> | <u>98,715.12</u> |
| <u>Deductions</u> | |
| Administrative Expense | 198.00 |
| Distributions | 15,806.85 |
| Contribution To (From) Other Funds | 1,101.82 |
| <u>Total Deductions</u> | <u>17,106.67</u> |
| <u>Net Increase</u> | 81,608.45 |
| <u>Net Assets - Beginning of Year</u> | <u>1,219,181.04</u> |
| <u>Net Assets - End of Year</u> | <u>\$ 1,300,789.49</u> |

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

The accounting methods and procedures adopted by the City of Marlette, Sanilac County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Marlette was incorporated under the laws of the State of Michigan and operates as a General Law City, with a City Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Marlette (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the City of Marlette, an entity legally separate from the City, is governed by an eight-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Local Street Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Municipal Street Fund - The Municipal Street Fund is funded by a five-year, county-wide millage. Money received is to be used for maintenance and improvement of City streets.

Downtown Development Authority Fund (a Special Revenue Fund type) - The Downtown Development Authority's purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Local Development Finance Authority Fund - The LDFA captures increment taxes in the LDFA area. These captured taxes are to finance and provide assistance for the development of this given area.

Debt Service Fund - The Debt Service Fund accounts for all debt payments made regarding the 1999 Waste Water Disposal Bonds.

Cemetery Memorial Chapel Capital Project Fund - The Cemetery Memorial Chapel Fund is for the purpose of collecting funds to be used in the construction of a memorial chapel in the Marlette cemetery.

Train Depot Restoration Capital Project Fund - This fund receives funds from a State Grant for the restoration of the Marlette Train Depot.

The City reports the following major Enterprise Funds & Internal Service Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Fund is provided primarily through user charges.

Equipment Fund (Internal Service Fund) - This fund was established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Additionally, the City reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, and Other Compensated Absences - Vacation days are earned by employees at a rate from 4 to 15 days per year with unused days at year-end being forfeited. Sick days are earned by employees at a rate of fifteen days per year. A maximum of 90 unused sick days may be accumulated by an employee. Retiring employees are paid half of the accumulated sick days.

The estimated maximum contingent liability for these benefits (calculated at current pay rates) at June 30, 2005 is approximately \$83,500.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|-----------------------------------|----------------|
| Infrastructure | 20 to 50 years |
| Buildings & Building Improvements | 20 to 40 years |
| Machinery & Equipment | 3 to 15 years |

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 - Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

2. Stewardship, Compliance, and Accountability

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Prior to July 1, the City Supervisor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior July 1, the budget is legally enacted.
4. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, and as amended by the City Council.

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted at the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended June 30, 2005, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| | Total Appropriations | Amount of Expenditures | Budget Variance |
|---|-------------------------|---------------------------|--------------------|
| General Fund | | | |
| Administration | \$ 64,500 | \$ 108,813 | \$ 44,313 |
| Professional Services | 9,000 | 11,789 | 2,789 |
| Treasurer | 11,400 | 22,505 | 11,105 |
| Cemetery | 50,875 | 55,435 | 4,560 |
| Police Department | 298,079 | 369,099 | 71,020 |
| Wellhead Protection | - | 456 | 456 |
| Refuse Collection | 96,090 | 107,663 | 11,573 |
| Street Lighting | 28,000 | 38,215 | 10,215 |
| Parks & Recreation | 63,360 | 79,518 | 16,158 |
| Capital Outlay | 6,000 | 19,881 | 13,881 |
| Debt Service - Interest | 2,309 | 2,338 | 29 |
| Major Streets Fund | | | |
| Capital Outlay | - | 357,798 | 357,798 |
| Debt Service - Principal | - | 35,000 | 35,000 |
| Debt Service - Interest | - | 27,868 | 27,868 |
| Local Street Fund | | | |
| Capital Outlay | 3,000 | 72,999 | 69,999 |
| Municipal Street Fund | | | |
| Transfers Out | 67,000 | 198,915 | 131,915 |
| Local Development Finance Authority Fund | | | |
| Office Supplies | 1,500 | 3,021 | 1,521 |
| Miscellaneous | 100 | 5,927 | 5,827 |
| Capital Outlay | - | 1,078,015 | 1,078,015 |
| Downtown Development Authority Fund | | | |
| Administration | - | 5,416 | 5,416 |
| Miscellaneous | 550 | 21,135 | 20,585 |
| Equipment Rent | 1,000 | 1,605 | 605 |
| Cemetery Memorial Chapel | | | |
| Capital Outlay | - | 59,853 | 59,853 |
| Train Depot Restoration Capital Project Fund | | | |
| Construction in Progress | - | 40,017 | 40,017 |

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Fiduciary - Trust & Agency Funds</u> | <u>Total Primary Government</u> |
|-------------------------|------------------------------------|-------------------------------------|---|---|
| Cash & Cash Equivalents | \$ 405,404 | \$ 124,216 | \$ 99,651 | \$ 629,271 |

The City's deposits are in accordance with statutory authority. As of June 30, 2005 the balance sheet carrying amount of cash deposits was \$629,271. The bank balance as of June 30, 2005 was \$629,271, of which \$100,000 was covered by FDIC insurance.

All cash deposits and investments of the City are held by the City in the City's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

| Investment Type | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|--|------------|------------|------------|----------------------------|-------------------------|
| Risk Categorized Operating Funds | | NONE | | | |
| US Treasury Bonds | | | | | |
| Investment in Deferred Compensation Plans | | | | | |
| Total Risk-Categorized Investments | | | | | |

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

| | |
|------------|---|
| Category 1 | Insured or registered, or securities held by the City or its agent in the City's name. |
| Category 2 | Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. |
| Category 3 | Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. |

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

4. Capital Assets

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

| | Balance July 1, 2004 | Additions | Disposals & Adjustments | Balance June 30, 2005 |
|--|-------------------------|---------------------|----------------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital Assets not being Depreciated | \$ 221,358 | \$ - | \$ - | \$ 221,358 |
| Capital Assets Being Depreciated: | | | | |
| General Government | 395,479 | 10,481 | - | 405,960 |
| Public Safety | 42,589 | 9,400 | - | 51,989 |
| Public Works | 6,834,501 | 1,571,166 | - | 8,405,667 |
| Equipment - Internal Service Fund | 656,581 | - | - | 656,581 |
| Total Capital Assets being Depreciated | 7,929,150 | 1,591,047 | - | 9,520,197 |
| Accumulated Depreciation: | | | | |
| General Government | 185,051 | 19,580 | - | 204,631 |
| Public Safety | 21,055 | 9,457 | - | 30,512 |
| Public Works | 996,253 | 249,337 | - | 1,245,590 |
| Equipment - Internal Service Fund | 325,967 | 46,202 | - | 372,169 |
| Total Accumulated Depreciation | 1,528,326 | 324,576 | - | 1,852,902 |
| Net Capital Assets being Depreciated | <u>\$ 6,400,824</u> | <u>\$ 1,266,471</u> | <u>\$ -</u> | <u>\$ 7,667,295</u> |
| Business-type Activities: | | | | |
| Capital Assets not being Depreciated - Sewer | \$ 16,100 | \$ - | \$ - | \$ 16,100 |
| Capital Assets not being Depreciated - Water | 5,125 | - | - | 5,125 |
| Capital Assets Being Depreciated: | | | | |
| Sewer Fund | 6,806,744 | - | - | 6,806,744 |
| Water Fund | 980,114 | - | - | 980,114 |
| Total Capital Assets being Depreciated | 7,786,858 | - | - | 7,786,858 |
| Accumulated Depreciation: | | | | |
| Sewer Fund | 2,352,567 | 145,842 | - | 2,498,409 |
| Water Fund | 399,951 | 23,676 | - | 423,627 |
| Total Accumulated Depreciation | 2,752,518 | 169,518 | - | 2,922,036 |
| Net Capital Assets being Depreciated | <u>\$ 5,050,440</u> | <u>\$ (169,518)</u> | <u>\$ -</u> | <u>\$ 4,864,822</u> |

Depreciation expense was charged to programs of the primary government as follows:

| | |
|----------------------------------|-------------------|
| Governmental Activities: | |
| General Government | \$ 19,580 |
| Public Safety | 9,457 |
| Public Works | 295,539 |
| Total Governmental Activities | <u>\$ 324,576</u> |
| Business-type Activities: | |
| Sewer Fund | \$ 145,842 |
| Water Fund | 23,676 |
| Total Business-type Activities | <u>\$ 169,518</u> |

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

5. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The City levied the following taxes:

| | | |
|---|-----------------------|-------|
| General Government Services | 12.7536 | mills |
| Highway | 2.6418 | mills |
| Cemetery | <u>0.9110</u> | mills |
| <u>General Operation</u> | 16.3064 | mills |
| Debt Retirement - 1990 Wastewater Bonds | <u>0.5465</u> | mills |
| <u>Total</u> | <u><u>16.8529</u></u> | mills |

6. Due To/From Other Funds

As of June 30, 2005, interfund receivables and payables that resulted from various interfund transactions were as follows:

| | <u>Due From Other Funds</u> | | <u>Due To Other Funds</u> |
|--------------------|---------------------------------|--------------------|-------------------------------|
| General Fund | \$ 1,166 | Tax Account | \$ 1,166 |
| Major Streets Fund | 3,705 | DDA Fund | 3,705 |
| Debt Service Fund | 16,000 | Sewer Fund | 16,000 |
| LDFA Fund | 29,549 | General Fund | 18,935 |
| | | Local Streets Fund | 1,565 |
| | | Major Streets Fund | 90 |
| | | Debt Service Fund | 775 |
| | | Equipment Fund | 8,184 |
| DDA Fund | 15,343 | General Fund | 13,745 |
| | | Local Streets Fund | <u>1,598</u> |
| Total | <u><u>\$ 65,763</u></u> | | <u><u>\$ 65,763</u></u> |

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

7. Long Term Debt

| | <u>Interest Rate Ranges</u> | <u>Principal Maturity Ranges</u> | <u>Beginning Balance</u> | <u>Additions (Reductions)</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|---------------------------------|--|------------------------------|-----------------------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | | |
| General Obligation Bonds & Contracts | | | | | | |
| 2002 Installment Purchase Contract for City / Township Building | | | | | | |
| Amount of Issue - \$62,650 | | \$2,888 - | | | | |
| Maturing through 2012 | 4.46% | \$3,755 | \$ 52,107 | \$ (5,521) | \$ 46,586 | \$ 5,840 |
| 1999 Installment Purchase Contract for Euclid & Sterling Street Improv's | | | | | | |
| Amount of Issue \$100,000 | | \$5,174 - | | | | |
| Maturing through 2003 | 4.25% | \$5,998 | \$ 57,063 | \$ (10,183) | \$ 46,880 | \$ 10,463 |
| 1999 Installment Purchase Contract for 3394 S. Main Street | | | | | | |
| Amount of Issue - \$64,500 | | \$3,303 - | | | | |
| Maturing through 2009 | 4.25% | \$3,829 | \$ 37,263 | \$ (6,462) | \$ 30,801 | \$ 6,679 |
| 2001 MI Transportation Fund Bonds | | | | | | |
| Amount of Issue - \$700,000 | | \$40,000 - | | | | |
| Maturing through 2016 | 4.55% | \$65,000 | \$ 630,000 | \$ (35,000) | \$ 595,000 | \$ 40,000 |
| 1999 Installment Purchase Contract for 3391 S. Main Street | | | | | | |
| Amount of Issue - \$80,000 | | \$4,174 - | | | | |
| Maturing through 2009 | 4.25% | \$4,851 | \$ 44,103 | \$ (8,092) | \$ 36,011 | \$ 8,441 |
| 2000 Installment Note Payable for Elgin Street Sweeper | | | | | | |
| Amount of Issue - \$142,000 | | \$6,805 - | | | | |
| Maturing through 2005 | 5.45% | \$7,994 | \$ 47,522 | \$ (30,934) | \$ 16,588 | \$ 16,588 |
| 1999 Waste Water Disposal Limited Tax General | | | | | | |
| Amount of Issue - \$2,080,000 | 3.90% - | \$50,000 - | | | | |
| Maturing through 2028 | 5.15% | \$100,000 | \$ 1,835,000 | \$ (45,000) | \$ 1,790,000 | \$ 50,000 |
| Downtown Development Authority Obligations | | | | | | |
| 1994 Down Development Bond | | | | | | |
| Amount of Issue - \$450,000 | 6.70% - | \$25,000 - | | | | |
| Maturing through 2013 | 7.00% | \$50,000 | \$ 320,000 | \$ (25,000) | \$ 295,000 | \$ 25,000 |
| Total Governmental Activities | | | \$ 3,023,058 | \$ (166,192) | \$ 2,856,866 | \$ 163,011 |
| Business-type Activities | | | | | | |
| General Obligation Bonds & Contracts | | | | | | |
| 2001 Purchase Contract for Water Main Installation | | | | | | |
| Amount of Issue - \$194,000 | | \$18,060 - | | | | |
| Maturing through 2011 | 4.20% | \$23,194 | \$ 161,053 | \$ (17,256) | \$ 143,797 | \$ 18,060 |
| 1994 Sewer Revenue Bonds | | | | | | |
| Amount of Issue - \$210,000 | | \$2,000 - | | | | |
| Maturing through 2034 | 4.50% | \$10,000 | \$ 190,000 | \$ (2,000) | \$ 188,000 | \$ 4,000 |
| Total Business-type Activities | | | \$ 351,053 | \$ (19,256) | \$ 331,797 | \$ 22,060 |
| Total | | | \$ 3,374,111 | \$ (185,448) | \$ 3,188,663 | \$ 185,071 |

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

| Fiscal Year End June 30, | Governmental Activities | | | Business-type Activities | | |
|-----------------------------|-------------------------|---------------------|---------------------|--------------------------|-------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2006 | \$ 162,860 | \$ 141,667 | \$ 304,527 | \$ 22,108 | \$ 14,581 | \$ 36,779 |
| 2007 | 152,783 | 134,264 | 287,047 | 22,829 | 13,632 | 36,461 |
| 2008 | 159,194 | 126,912 | 286,106 | 23,631 | 12,651 | 36,282 |
| 2009 | 170,694 | 119,069 | 289,763 | 24,456 | 11,645 | 36,101 |
| 2010-2014 | 766,335 | 470,280 | 1,236,615 | 86,773 | 42,671 | 129,444 |
| 2015-2019 | 580,000 | 295,116 | 875,116 | 24,000 | 32,310 | 56,310 |
| 2020-2024 | 480,000 | 172,525 | 652,525 | 40,000 | 25,200 | 65,200 |
| 2025-2029 | 385,000 | 49,907 | 434,907 | 40,000 | 16,200 | 56,200 |
| 2030-2034 | - | - | - | 48,000 | 6,660 | 54,660 |
| Total | \$ 2,856,866 | \$ 1,509,740 | \$ 4,366,606 | \$ 331,797 | \$ 175,550 | \$ 507,437 |

8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

The Local Street Fund had a deficit fund balance as of June 30, 2005, of \$469.

9. Comparative Data

Comparative total data for the prior year have not been presented in the accompanying financial statements.

10. Post Employment Benefits

The City does not provide any post employment benefits other than the retirement benefits.

11. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

12. Interfund Transfers In (Out)

During the year ended June 30, 2005 the City's interfund transfers were as follows:

| | <u>Operating Transfers In</u> | | <u>Operating Transfers Out</u> |
|-------------------|-----------------------------------|-----------------------|------------------------------------|
| Local Street Fund | \$ 48,100 | Municipal Street Fund | \$ 48,100 |
| Major Street Fund | 150,815 | Municipal Street Fund | 150,815 |
| General Fund | <u>1,102</u> | Perpetual Care Fund | <u>1,102</u> |
| Total | <u>\$ 200,017</u> | | <u>\$ 200,017</u> |

13. City of Marlette Economic Development Corporation

The purpose of this organization is essentially to act in an agent capacity to obtain lower interest government bond financing for labor-oriented organizations in the community or coming into the community for the express purpose of alleviating and preventing conditions of unemployment. Economic Development Revenue Bonds outstanding as of June 30, 2005 were \$-0-. During this fiscal year ended June 30, 2005 minor expenditures of the City of Marlette Economic Development Corporation were absorbed by the General Fund of the reporting entity.

14. Pension Plan

The City Provides pension benefits for all of its full-time employees, with one year of service, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes an amount equal to 9% for full time employees. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after two years' continuous service. City contributions for, and interest forfeited by, employees who leave employment before two years of service are used to reduce the City's current-period contribution requirement.

The City's total payroll for the fiscal year ended June 30, 2005, was \$546,408. The City's contributions were calculated using the salary amount of \$454,401. The City made the required 9% contribution, amounting to \$40,896.

a. Valuation of Investments

Equity securities are reported at fair market value. Fixed-income securities are reported at amortized cost with discount or premium amortized using the effective interest method, subject to adjustment for market declines judged to be other than temporary.

b. Investment Income

Dividend income is recognized based on dividends declared and interest income is recognized on the accrual basis as earned.

Gain and losses on exchanges of fixed-income securities are recognized using the completed transaction method.

As of June 30, 2005 the investments of the Pension Plan as administrated by ICMA Retirement Corp. had total assets of \$946,719.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2005

15. Deferred Compensation

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

The Plans are administered by ICMA Retirement, Corp. (ICMA). The assets and liabilities held by ICMA are reported at market value in the Deferred Compensation Agency Fund. The total amount payable to plan participants is reported as deferred compensation payable.

16. Contingencies

- 1) The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department real estate mortgage dated December 22, 1999. The real estate mortgage was used to purchase commercial property and construct a fire hall for the storage of fire equipment. As of June 30, 2005, the outstanding balance of the real estate mortgage is in the amount of \$575,384.

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department commercial promissory note dated December 7, 2001. The promissory note was used to purchase a fire department ladder truck. As of June 30, 2005, the outstanding balance of the promissory note is in the amount of \$70,702.

- 2) The City of Marlette entered into an agreement with the Michigan Department of Transportation. The City is to receive a grant in the amount of \$320,000 for the purpose of restoring the historic Train Depot in Marlette. The City agreed to provide a local match of \$80,000. This match money is to be provided by the Marlette Historical Society. In the event that the Historical Society does not meet this obligation, the City is liable for the balance of the match money and the City will also be responsible to properly maintain the Depot in such a manner as to preserve the historical integrity of the features, materials, appearance, workmanship, and environment from the date of the agreement forward. Should the City not assume the loan and/or preserve the historical integrity of the Depot, the City would be required to repay the grant in full and pay the balance on the loan.
- 3) The City of Marlette received a State Community Development Block Grant for the purpose of constructing an Industrial Park. The State Grant received by the City was \$655,350. The grant is expected to create 66 jobs. At least 51 percent of the 66 created jobs or 34 jobs shall be made available to, or held by, low and moderate-income persons. If less than 66 jobs are created, the City shall repay a portion of the grant to the State equal to \$10,000 per job, beginning after the term of work performance ends and official closeout of the grant as of January 1, 2008.

Required Supplemental Information

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2005

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|---|
| <u>Revenues</u> | | | | |
| Property Taxes | \$ 501,700.00 | \$ 501,700.00 | \$ 444,069.84 | (57,630.16) |
| Intergovernmental Revenues | 293,200.00 | 293,200.00 | 246,479.50 | (46,720.50) |
| Licenses, Permits, & Fines | 23,900.00 | 23,900.00 | 28,554.04 | 4,654.04 |
| Cemetery | 20,000.00 | 20,000.00 | 27,600.00 | 7,600.00 |
| Park & Recreation | 25,700.00 | 25,700.00 | 22,218.85 | (3,481.15) |
| Charges for Services | | | | |
| Rubbish Collection | 70,000.00 | 70,000.00 | 67,715.81 | (2,284.19) |
| Fire Calls / Protection | 15,000.00 | 15,000.00 | 7,400.00 | (7,600.00) |
| Other Charges for Services | - | - | 656.00 | 656.00 |
| Interest Earnings | 3,000.00 | 3,000.00 | 4,750.01 | 1,750.01 |
| Grant Proceeds | 44,800.00 | 44,800.00 | 52,111.14 | 7,311.14 |
| Other Revenue | 58,100.00 | 58,100.00 | 167,426.25 | 109,326.25 |
| <u>Total Revenues</u> | <u>\$ 1,055,400.00</u> | <u>\$ 1,055,400.00</u> | <u>\$ 1,068,981.44</u> | <u>\$ 13,581.44</u> |

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2005

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|---|----------------------------|---------------------------|---------------------|---|
| <u>Expenditures</u> | | | | |
| <u>Legislative</u> | | | | |
| Council | \$ 15,440.00 | \$ 15,440.00 | \$ 13,699.49 | \$ 1,740.51 |
| <u>General Government</u> | | | | |
| Administration | 64,500.00 | 64,500.00 | 108,812.56 | (44,312.56) |
| Elections | 5,100.00 | 5,100.00 | 3,538.78 | 1,561.22 |
| Professional Services | 9,000.00 | 9,000.00 | 11,789.10 | (2,789.10) |
| Assessor | 9,800.00 | 9,800.00 | 8,323.50 | 1,476.50 |
| Clerk | 93,890.00 | 93,890.00 | 89,492.28 | 4,397.72 |
| Board of Review | 550.00 | 550.00 | 520.38 | 29.62 |
| Treasurer | 11,400.00 | 11,400.00 | 22,505.39 | (11,105.39) |
| Building & Grounds | 29,070.00 | 29,070.00 | 28,015.54 | 1,054.46 |
| Cemetery | 50,875.00 | 50,875.00 | 55,434.94 | (4,559.94) |
| Miscellaneous | - | - | - | - |
| <u>Total General Government</u> | <u>274,185.00</u> | <u>274,185.00</u> | <u>328,432.47</u> | <u>(54,247.47)</u> |
| <u>Public Safety</u> | | | | |
| Police Department | 298,079.00 | 298,079.00 | 369,099.33 | (71,020.33) |
| Fire Department | 63,595.00 | 63,595.00 | 57,662.75 | 5,932.25 |
| Planning Commission | 18,525.00 | 18,525.00 | 3,045.01 | 15,479.99 |
| Zoning Board of Appeals | 1,325.00 | 1,325.00 | 227.00 | 1,098.00 |
| <u>Total Public Safety</u> | <u>381,524.00</u> | <u>381,524.00</u> | <u>430,034.09</u> | <u>(48,510.09)</u> |
| <u>Public Works</u> | | | | |
| Sidewalks | 36,950.00 | 36,950.00 | 4,998.29 | 31,951.71 |
| Wellhead Protection | - | - | 455.92 | (455.92) |
| Refuse Collection | 96,090.00 | 96,090.00 | 107,663.37 | (11,573.37) |
| Street Lighting | 28,000.00 | 28,000.00 | 38,215.20 | (10,215.20) |
| <u>Total Public Works</u> | <u>161,040.00</u> | <u>161,040.00</u> | <u>151,332.78</u> | <u>9,707.22</u> |
| <u>Recreation & Culture</u> | | | | |
| Parks & Recreation | 63,360.00 | 63,360.00 | 79,518.46 | (16,158.46) |
| Community Promotion | 10,000.00 | 10,000.00 | 8,170.15 | 1,829.85 |
| <u>Total Cemetery, Parks, & Recreation</u> | <u>73,360.00</u> | <u>73,360.00</u> | <u>87,688.61</u> | <u>(14,328.61)</u> |
| <u>Capital Outlay</u> | 6,000.00 | 6,000.00 | 19,881.03 | (13,881.03) |
| <u>Debt Service - Principal</u> | 5,521.00 | 5,521.00 | 5,520.90 | 0.10 |
| - Interest | 2,309.00 | 2,309.00 | 2,338.28 | (29.28) |
| <u>Total Expenditures</u> | <u>919,379.00</u> | <u>919,379.00</u> | <u>1,038,927.65</u> | <u>(119,548.65)</u> |
| <u>Excess of Revenues Over (Under) Expenditures</u> | 136,021.00 | 136,021.00 | 30,053.79 | (105,967.21) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In (Out) | - | - | 1,101.82 | 1,101.82 |
| <u>Excess of Revenues & Other Sources Over (Under)</u> | | | | |
| <u>Expenditures & Other Uses</u> | 136,021.00 | 136,021.00 | 31,155.61 | (104,865.39) |
| <u>Fund Balance - Beginning of Year</u> | - | - | 15,466.81 | 15,466.81 |
| <u>Fund Balance - End of Year</u> | <u>\$ 136,021.00</u> | <u>\$ 136,021.00</u> | <u>\$ 46,622.42</u> | <u>\$ (89,398.58)</u> |

City of Marlette

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
For The Year Ended June 30, 2005

| | Major Street Fund | | | Local Street Fund | | | Variance with Amended Budget |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|--------------------|------------------------------|
| | Original Budget | Amended Budget | Actual | Original Budget | Amended Budget | Actual | |
| Revenues | | | | | | | |
| Property Taxes | \$ 61,920.00 | \$ 61,920.00 | \$ 33,006.35 | \$ 38,800.00 | \$ 38,800.00 | \$ 49,509.51 | \$ 10,709.51 |
| State Shared Revenue - Gas & Weight Tax | 100,000.00 | 100,000.00 | 113,705.91 | 38,000.00 | 38,000.00 | 38,099.44 | 99.44 |
| State Truck Line Maintenance | 14,000.00 | 14,000.00 | 18,631.94 | - | - | - | - |
| Build MI Local Roads Program | 3,000.00 | 3,000.00 | 3,794.59 | 1,300.00 | 1,300.00 | 1,162.20 | (137.80) |
| Interest Income | 6,000.00 | 6,000.00 | 1,027.14 | 2,000.00 | 2,000.00 | 250.18 | (1,749.82) |
| Miscellaneous | - | - | 1,540.73 | - | - | 28.15 | 28.15 |
| Total Revenues | 184,920.00 | 184,920.00 | 171,706.66 | 80,100.00 | 80,100.00 | 89,049.48 | 8,949.48 |
| Expenditures | | | | | | | |
| Routine Maintenance | 29,450.00 | 29,450.00 | 9,272.17 | 20,055.00 | 20,055.00 | 18,439.26 | 1,615.74 |
| Snow & Ice Removal | 11,620.00 | 11,620.00 | 9,397.47 | 10,040.00 | 10,040.00 | 6,757.76 | 3,282.24 |
| Traffic Services | 10,140.00 | 10,140.00 | 1,693.17 | 2,713.00 | 2,713.00 | 1,528.47 | 1,184.53 |
| Street Sweeping | 3,960.00 | 3,960.00 | 2,515.68 | 12,775.00 | 12,775.00 | 3,227.72 | 9,547.28 |
| Trunk Line Maintenance | 14,125.00 | 14,125.00 | 11,008.13 | - | - | - | - |
| Administration | 13,045.00 | 13,045.00 | 10,585.69 | 12,130.00 | 12,130.00 | 9,276.85 | 2,853.15 |
| Capital Outlay | - | - | 357,798.24 | 3,000.00 | 3,000.00 | 72,999.05 | (69,999.05) |
| Debt Service - Principal | - | - | 35,000.00 | - | - | - | - |
| Debt Service - Interest | - | - | 27,868.75 | - | - | - | - |
| Total Expenditures | 82,340.00 | 82,340.00 | 465,139.30 | 60,713.00 | 60,713.00 | 112,229.11 | (51,516.11) |
| Excess of Revenues Over (Under) Expenditures | | | | | | | |
| Other Financing Sources (Uses) Operating | 102,580.00 | 102,580.00 | (293,432.64) | 19,387.00 | 19,387.00 | (23,179.63) | (42,566.63) |
| Other Financing Sources (Uses) | | | | | | | |
| Operating Transfers In (Out) | 26,800.00 | 26,800.00 | 150,815.02 | 40,200.00 | 40,200.00 | 48,100.00 | 7,900.00 |
| Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses | 129,380.00 | 129,380.00 | (142,617.62) | 59,587.00 | 59,587.00 | 24,920.37 | (34,666.63) |
| Fund Balance - Beginning of Year | - | - | 183,750.40 | - | - | (25,389.79) | (25,389.79) |
| Fund Balance - End of Year | \$ 129,380.00 | \$ 129,380.00 | \$ 41,132.78 | \$ 59,587.00 | \$ 59,587.00 | \$ (469.42) | \$ (60,056.42) |

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Municipal Street Fund
For The Year Ended June 30, 2005

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--|----------------------------|---------------------------|---------------------|---|
| <u>Revenues</u> | | | | |
| Intergovernmental Revenues | \$ 65,000.00 | \$ 65,000.00 | \$ 59,711.81 | \$ (5,288.19) |
| Interest Earnings | 2,000.00 | 2,000.00 | 1,203.70 | (796.30) |
| <u>Total Revenues</u> | <u>67,000.00</u> | <u>67,000.00</u> | <u>60,915.51</u> | <u>(6,084.49)</u> |
| <u>Expenditures</u> | | | | |
| Salaries & Fringes | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <u>Total Expenditures</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Excess of Revenues Over (Under) Expenditures</u> | <u>67,000.00</u> | <u>67,000.00</u> | <u>60,915.51</u> | <u>(6,084.49)</u> |
| <u>Other Financing Sources (Uses) Operating</u> | | | | |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In (Out) | (67,000.00) | (67,000.00) | (198,915.02) | (131,915.02) |
| <u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u> | <u>-</u> | <u>-</u> | <u>(137,999.51)</u> | <u>(137,999.51)</u> |
| <u>Fund Balance - Beginning of Year</u> | <u>-</u> | <u>-</u> | <u>220,488.11</u> | <u>220,488.11</u> |
| <u>Fund Balance - End of Year</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 82,488.60</u> | <u>\$ 82,488.60</u> |

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Local Development Finance Authority Fund
For The Year Ended June 30, 2005

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|------------------------------|------------------------------|-----------------------------|---|
| <u>Revenues</u> | | | | |
| Property Taxes | \$ 25,000.00 | \$ 25,000.00 | \$ 18,955.55 | \$ (6,044.45) |
| Grant Proceeds | - | - | 1,061,623.54 | 1,061,623.54 |
| Interest Earnings | 2,000.00 | 2,000.00 | 1,177.57 | (822.43) |
| Other Revenue | - | - | 1.37 | 1.37 |
| <u>Total Revenues</u> | <u>27,000.00</u> | <u>27,000.00</u> | <u>1,081,758.03</u> | <u>1,054,758.03</u> |
| <u>Expenditures</u> | | | | |
| Salaries & Administration | 15,990.00 | 15,990.00 | 10,811.13 | 5,178.87 |
| Office Supplies | 1,500.00 | 1,500.00 | 3,021.25 | (1,521.25) |
| Professional Services | 1,050.00 | 1,050.00 | 807.50 | 242.50 |
| Education, Training & Meetings | 250.00 | 250.00 | 228.90 | 21.10 |
| Miscellaneous | 100.00 | 100.00 | 5,927.37 | (5,827.37) |
| Capital Outlay | - | - | 1,078,015.08 | (1,078,015.08) |
| Debt Service - Principal | 24,750.00 | 24,750.00 | 24,732.79 | 17.21 |
| Debt Service - Interest | 5,714.00 | 5,714.00 | 5,644.99 | 69.01 |
| <u>Total Expenditures</u> | <u>49,354.00</u> | <u>49,354.00</u> | <u>1,129,189.01</u> | <u>(1,079,835.01)</u> |
| <u>Excess of Revenues Over (Under) Expenditures</u> | <u>(22,354.00)</u> | <u>(22,354.00)</u> | <u>(47,430.98)</u> | <u>(25,076.98)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In (Out) | - | - | - | - |
| <u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u> | <u>(22,354.00)</u> | <u>(22,354.00)</u> | <u>(47,430.98)</u> | <u>(25,076.98)</u> |
| <u>Fund Balance - Beginning of Year</u> | <u>-</u> | <u>-</u> | <u>44,123.94</u> | <u>44,123.94</u> |
| <u>Fund Balance - End of Year</u> | <u>\$ (22,354.00)</u> | <u>\$ (22,354.00)</u> | <u>\$ (3,307.04)</u> | <u>\$ 19,046.96</u> |

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Downtown Development Authority Fund
For The Year Ended June 30, 2005

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|----------------------------|---------------------------|----------------------|---|
| <u>Revenues</u> | | | | |
| Property Taxes | \$ 65,000.00 | \$ 65,000.00 | \$ 113,159.24 | \$ 48,159.24 |
| CDBG Grant | 75,000.00 | 75,000.00 | - | (75,000.00) |
| Interest Income | 1,000.00 | 1,000.00 | 1,188.61 | 188.61 |
| Other Revenue | - | - | 0.80 | 0.80 |
| Total Revenues | 141,000.00 | 141,000.00 | 114,348.65 | (26,651.35) |
| <u>Expenditures</u> | | | | |
| Administration | - | - | 5,415.89 | (5,415.89) |
| Office Supplies | 1,300.00 | 1,300.00 | 471.44 | 828.56 |
| Professional Services | 10,400.00 | 10,400.00 | 1,655.00 | 8,745.00 |
| Legal & Accounting | 550.00 | 550.00 | 511.25 | 38.75 |
| Education, Training, & Meetings | 250.00 | 250.00 | - | 250.00 |
| Miscellaneous | 550.00 | 550.00 | 21,135.00 | (20,585.00) |
| Equipment Rent - Interdepartment | 1,000.00 | 1,000.00 | 1,605.29 | (605.29) |
| Capital Outlay | 104,000.00 | 104,000.00 | 2,500.00 | 101,500.00 |
| Debt Service - Principal | 25,000.00 | 25,000.00 | 25,000.00 | - |
| Debt Service - Interest | 22,550.00 | 22,550.00 | 22,177.50 | 372.50 |
| Total Expenditures | 165,600.00 | 165,600.00 | 80,471.37 | 85,128.63 |
| <u>Excess of Revenues Over (Under) Expenditures</u> | | | | |
| <u>Other Financing Sources (Uses) Operating</u> | (24,600.00) | (24,600.00) | 33,877.28 | 85,128.63 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In (Out) | - | - | - | - |
| <u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u> | (24,600.00) | (24,600.00) | 33,877.28 | 85,128.63 |
| <u>Fund Balance - Beginning of Year</u> | 25,000.00 | 25,000.00 | 128,916.86 | 103,916.86 |
| <u>Fund Balance - End of Year</u> | \$ 400.00 | \$ 400.00 | \$ 162,794.14 | \$ 189,045.49 |

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Country Fair Days Fund
For The Year Ended June 30, 2005

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|----------------------------|---------------------------|---------------------|---|
| <u>Revenues</u> | | | | |
| Donations | \$ 7,900.00 | \$ 7,900.00 | \$ 8,098.20 | \$ 198.20 |
| Charges For Services | 500.00 | 500.00 | 270.00 | (230.00) |
| Interest Income | 25.00 | 25.00 | 207.23 | 182.23 |
| Other Revenue | 4,500.00 | 4,500.00 | 2,040.00 | (2,460.00) |
| <u>Total Revenues</u> | 12,925.00 | 12,925.00 | 10,615.43 | (2,309.57) |
| <u>Expenditures</u> | | | | |
| Administrative Expense | 3,350.00 | 3,350.00 | 300.00 | 3,050.00 |
| Contracted Services | 8,400.00 | 8,400.00 | 3,242.60 | 5,157.40 |
| Miscellaneous | 1,400.00 | 1,400.00 | 1,307.12 | 92.88 |
| <u>Total Expenditures</u> | 13,150.00 | 13,150.00 | 4,849.72 | 8,300.28 |
| <u>Excess of Revenues Over (Under) Expenditures</u> | (225.00) | (225.00) | 5,765.71 | 5,990.71 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In (Out) | - | - | - | - |
| <u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u> | (225.00) | (225.00) | 5,765.71 | 5,990.71 |
| <u>Fund Balance - Beginning of Year</u> | - | - | 6,997.70 | 6,997.70 |
| <u>Fund Balance - End of Year</u> | \$ (225.00) | \$ (225.00) | \$ 12,763.41 | \$ 12,988.41 |

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Debt Service Fund
For The Year Ended June 30, 2005

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--|----------------------------|---------------------------|---------------------|---|
| <u>Revenues</u> | | | | |
| Property Taxes | \$ 24,000.00 | \$ 24,000.00 | \$ 15,155.49 | \$ (8,844.51) |
| Interest Earnings | 5,000.00 | 5,000.00 | 1,223.21 | (3,776.79) |
| Bond Recovery | 54,000.00 | 54,000.00 | 54,463.57 | 463.57 |
| <u>Total Revenues</u> | <u>83,000.00</u> | <u>83,000.00</u> | <u>70,842.27</u> | <u>(3,313.22)</u> |
| <u>Expenditures</u> | | | | |
| Miscellaneous Fees | 500.00 | 500.00 | 350.00 | 150.00 |
| Debt Service - Principal | 51,500.00 | 51,500.00 | 45,000.00 | 6,500.00 |
| Debt Service - Interest | 90,000.00 | 90,000.00 | 89,417.50 | 582.50 |
| <u>Total Expenditures</u> | <u>142,000.00</u> | <u>142,000.00</u> | <u>134,767.50</u> | <u>7,232.50</u> |
| <u>Excess of Revenues Over (Under) Expenditures</u> | <u>(59,000.00)</u> | <u>(59,000.00)</u> | <u>(63,925.23)</u> | <u>3,919.28</u> |
| <u>Other Financing Sources (Uses) Operating</u> | | | | |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In (Out) | - | - | - | - |
| <u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u> | <u>(59,000.00)</u> | <u>(59,000.00)</u> | <u>(63,925.23)</u> | <u>3,919.28</u> |
| <u>Fund Balance - Beginning of Year</u> | <u>113,000.00</u> | <u>113,000.00</u> | <u>93,664.94</u> | <u>(19,335.06)</u> |
| <u>Fund Balance - End of Year</u> | <u>\$ 54,000.00</u> | <u>\$ 54,000.00</u> | <u>\$ 29,739.71</u> | <u>\$ (15,415.78)</u> |

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery Memorial Chapel Capital Project Fund
For The Year Ended June 30, 2005

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|---|----------------------------|---------------------------|--------------------|---|
| <u>Revenues</u> | | | | |
| Donations & Contributions | \$ 3,000.00 | \$ 3,000.00 | \$ 24,672.00 | \$ 21,672.00 |
| Interest Income | 800.00 | 800.00 | 224.50 | (575.50) |
| <u>Total Revenues</u> | <u>3,800.00</u> | <u>3,800.00</u> | <u>24,896.50</u> | <u>21,096.50</u> |
| <u>Expenditures</u> | | | | |
| Miscellaneous | - | - | 0.49 | (0.49) |
| Capital Outlay - Construction in Progress | - | - | 59,853.57 | (59,853.57) |
| <u>Total Expenditures</u> | <u>-</u> | <u>-</u> | <u>59,854.06</u> | <u>(59,854.06)</u> |
| <u>Excess of Revenues Over (Under) Expenditures</u> | 3,800.00 | 3,800.00 | (34,957.56) | (38,757.56) |
| <u>Other Financing Sources (Uses) Operating</u> | | | | |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In (Out) | - | - | - | - |
| <u>Excess of Revenues & Other Sources</u> | | | | |
| <u>Over (Under) Expenditures & Other Uses</u> | 3,800.00 | 3,800.00 | (34,957.56) | (38,757.56) |
| <u>Fund Balance - Beginning of Year</u> | <u>-</u> | <u>-</u> | <u>40,437.75</u> | <u>40,437.75</u> |
| <u>Fund Balance - End of Year</u> | <u>\$ 3,800.00</u> | <u>\$ 3,800.00</u> | <u>\$ 5,480.19</u> | <u>\$ 1,680.19</u> |

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Train Depot Restoration Capital Project Fund
For The Year Ended June 30, 2005

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--|----------------------------|---------------------------|--------------------|---|
| <u>Revenues</u> | | | | |
| Contribution - Historical Society | \$ - | \$ - | \$ 13,588.20 | \$ 13,588.20 |
| Grant Proceeds | - | - | 32,013.36 | 32,013.36 |
| Other Revenue | - | - | 1.00 | 1.00 |
| <u>Total Revenues</u> | <u>-</u> | <u>-</u> | <u>45,602.56</u> | <u>45,602.56</u> |
| <u>Expenditures</u> | | | | |
| Construction in Progress | - | - | 40,016.70 | (40,016.70) |
| <u>Total Expenditures</u> | <u>-</u> | <u>-</u> | <u>40,016.70</u> | <u>(40,016.70)</u> |
| <u>Excess of Revenues Over (Under) Expenditures</u> | - | - | 5,585.86 | 5,585.86 |
| <u>Other Financing Sources (Uses) Operating</u> | | | | |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Operating Transfers In (Out) | - | - | - | - |
| <u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u> | - | - | 5,585.86 | 5,585.86 |
| <u>Fund Balance - Beginning of Year</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Fund Balance - End of Year</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,585.86</u> | <u>\$ 5,585.86</u> |

Other Supplemental Information

City of Marlette

Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2005

| | Pension & Other Trust Funds | | | Agency Funds | | |
|---|-----------------------------|---------------------|------------------------|---------------------|---------------------|---------------------|
| | Cemetery Perpetual Care | Retirement | Totals | Payroll Agency Fund | Tax Collection Fund | Totals |
| Assets | Expendable Trust | Nonexpendable Trust | | | | |
| Cash & Certificate of Deposit | \$ 4,675.00 | \$ 70,848.14 | \$ 75,523.14 | \$ 402.51 | \$ 23,725.32 | \$ 24,127.83 |
| Investment - Mutual Funds at F.M.V. | - | - | 1,225,266.35 | - | - | - |
| Contribution Receivable | - | - | - | - | - | - |
| <u>Total Assets</u> | <u>4,675.00</u> | <u>70,848.14</u> | <u>1,300,789.49</u> | <u>402.51</u> | <u>23,725.32</u> | <u>24,127.83</u> |
| Liabilities & Fund Balance | | | | | | |
| Liabilities | | | | | | |
| Due To General Fund | - | - | - | - | 1,165.92 | 1,165.92 |
| Due To Other Governmental Agencies | - | - | - | 402.51 | 22,559.30 | 22,961.81 |
| <u>Total Liabilities</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>402.51</u> | <u>23,725.22</u> | <u>\$ 24,127.73</u> |
| Net Assets | | | | | | |
| Held in Trust for Pension | - | 1,225,266.35 | 1,225,266.35 | | | |
| Held in Trust for Cemetery Perpetual Care | - | 70,848.14 | 70,848.14 | | | |
| Unreserved - Undesignated | 4,675.00 | - | 4,675.00 | | | |
| <u>Total Liabilities & Net Assets</u> | <u>\$ 4,675.00</u> | <u>\$ 70,848.14</u> | <u>\$ 1,300,789.49</u> | | | |

City of Mariette

Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds
June 30, 2005

| | Pension & Other Trust Funds | | | |
|---|-----------------------------|---------------------|------------------------|------------------------|
| | Cemetery Perpetual Care | | Retirement Fund | Totals |
| | Expendable Trust | Nonexpendable Trust | | |
| <u>Additions</u> | | | | |
| Interest Income - Perpetual Care | \$ 1,101.82 | \$ - | \$ - | \$ 1,101.82 |
| Sale of Lots - Perpetual Care | - | 780.00 | - | 780.00 |
| Contributions From Employer & Employees | - | - | 61,140.45 | 61,140.45 |
| Interest, Dividends, & Net Adjustment to F.M.V. | - | - | 35,692.85 | 35,692.85 |
| <u>Total Additions</u> | <u>1,101.82</u> | <u>780.00</u> | <u>96,833.30</u> | <u>98,715.12</u> |
| <u>Deductions</u> | | | | |
| Administrative Expense | - | - | 198.00 | 198.00 |
| Distributions | - | - | 15,806.85 | 15,806.85 |
| Contribution To (From) Other Funds | 1,101.82 | - | - | 1,101.82 |
| <u>Total Deductions</u> | <u>1,101.82</u> | <u>-</u> | <u>16,004.85</u> | <u>17,106.67</u> |
| <u>Net Increase</u> | <u>-</u> | <u>780.00</u> | <u>80,828.45</u> | <u>81,608.45</u> |
| <u>Net Assets - Beginning of Year</u> | <u>4,675.00</u> | <u>70,068.14</u> | <u>1,144,437.90</u> | <u>1,219,181.04</u> |
| <u>Net Assets - End of Year</u> | <u>\$ 4,675.00</u> | <u>\$ 70,848.14</u> | <u>\$ 1,225,266.35</u> | <u>\$ 1,300,789.49</u> |

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2005

General Obligation Bonds / Installment Contracts

1999 Waste Water Disposal Limited Tax General

Obligation Refunding Bonds - 1999 Series Dated March 1, 1999

Interest Payable July 1, and January 1, Authorized Issue \$2,080,000

| Interest Rate | Date of Maturity | Principal Outstanding | | Remaining Interest Payable |
|------------------------------------|------------------------|-----------------------|------------------|----------------------------------|
| | | June 30, 2005 | June 30, 2004 | |
| 3.90 % | 7-1-05 | \$ - | \$ 45,000 | \$ - |
| 4.00 % | 7-1-06 | 50,000 | 50,000 | 87,662 |
| 4.10 % | 7-1-07 | 50,000 | 50,000 | 85,663 |
| 4.20 % | 7-1-08 | 55,000 | 55,000 | 83,612 |
| 4.30 % | 7-1-09 | 55,000 | 55,000 | 81,303 |
| 4.75 % | 7-1-10 | 55,000 | 55,000 | 78,937 |
| 4.75 % | 7-1-11 | 60,000 | 60,000 | 76,325 |
| 4.75 % | 7-1-12 | 65,000 | 65,000 | 73,475 |
| 4.75 % | 7-1-13 | 70,000 | 70,000 | 70,388 |
| 4.75 % | 7-1-14 | 65,000 | 65,000 | 67,062 |
| 5.00 % | 7-1-15 | 70,000 | 70,000 | 63,975 |
| 5.00 % | 7-1-16 | 75,000 | 75,000 | 60,475 |
| 5.00 % | 7-1-17 | 80,000 | 80,000 | 56,725 |
| 5.00 % | 7-1-18 | 85,000 | 85,000 | 52,725 |
| 5.00 % | 7-1-19 | 90,000 | 90,000 | 48,475 |
| 5.00 % | 7-1-20 | 90,000 | 90,000 | 43,975 |
| 5.00 % | 7-1-21 | 95,000 | 95,000 | 39,475 |
| 5.00 % | 7-1-22 | 100,000 | 100,000 | 34,725 |
| 5.00 % | 7-1-23 | 100,000 | 100,000 | 29,725 |
| 5.10 % | 7-1-24 | 95,000 | 95,000 | 24,625 |
| 5.10 % | 7-1-25 | 95,000 | 95,000 | 19,780 |
| 5.15 % | 7-1-26 | 95,000 | 95,000 | 14,935 |
| 5.15 % | 7-1-27 | 95,000 | 95,000 | 10,042 |
| 5.15 % | 7-1-28 | 100,000 | 100,000 | 5,150 |
| Total - Waste Water Disposal Bonds | | \$ 1,790,000 | \$ 1,835,000 | \$ 1,209,234 |

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2005

General Obligation Bonds / Installment Contracts

1994 Downtown Development Bond

Dated November 1, 1994, Interest Payable March 1, & September 1,
Authorized Issue \$450,000

| Interest Rate | Date of Maturity | Principal Outstanding | | Remaining Interest Payable |
|----------------------------|------------------------|-----------------------|------------------|----------------------------------|
| | | June 30, 2005 | June 30, 2004 | |
| 6.70 % | 3-1-05 | \$ - | \$ 25,000 | \$ - |
| 6.80 % | 3-1-06 | 25,000 | 25,000 | 20,503 |
| 6.90 % | 3-1-03 | 30,000 | 30,000 | 18,803 |
| 6.90 % | 3-1-08 | 30,000 | 30,000 | 16,733 |
| 6.95 % | 3-1-09 | 35,000 | 35,000 | 14,633 |
| 6.95 % | 3-1-10 | 40,000 | 40,000 | 12,230 |
| 7.00 % | 3-1-11 | 40,000 | 40,000 | 9,450 |
| 7.00 % | 3-1-12 | 45,000 | 45,000 | 6,650 |
| 7.00 % | 3-1-13 | 50,000 | 50,000 | 3,500 |
| Total - Limited G.O. Bonds | | \$ 295,000 | \$ 320,000 | \$ 102,502 |

September 24, 1999 Installment Purchase Contract

Euclid & Sterling Street Improvements

Principal and Interest Payable June 24 and December 24

Authorized Issue \$100,000

| | | | | |
|--------------------------|----------|-----------|-----------|----------|
| 4.25 % | 12-24-04 | \$ - | \$ 5,037 | \$ - |
| 4.25 % | 6-24-05 | - | 5,146 | - |
| 4.25 % | 12-24-05 | 5,174 | 5,174 | 1,081 |
| 4.25 % | 6-24-06 | 5,289 | 5,289 | 966 |
| 4.25 % | 12-24-06 | 5,397 | 5,397 | 858 |
| 4.25 % | 6-24-07 | 5,516 | 5,516 | 739 |
| 4.25 % | 12-24-07 | 5,629 | 5,629 | 626 |
| 4.25 % | 6-24-08 | 5,749 | 5,749 | 506 |
| 4.25 % | 12-24-08 | 5,872 | 5,872 | 383 |
| 4.25 % | 6-24-09 | 5,998 | 5,998 | 257 |
| 4.25 % | 12-24-09 | 2,256 | 2,256 | 131 |
| Total - Installment Loan | | \$ 46,880 | \$ 57,063 | \$ 5,547 |

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2005

General Obligation Bonds / Installment Contracts

December 1, 1999 Installment Purchase Contract

3394 S. Main Street

Principal and Interest Payable June 1, and December 1

Authorized Issue \$64,500

| Interest Rate | Date of Maturity | Principal Outstanding | | Remaining Interest Payable |
|------------------------|------------------------|-----------------------|------------------|----------------------------------|
| | | June 30, 2005 | June 30, 2004 | |
| 4.25 % | 12-1-04 | \$ - | \$ 3,195 | \$ - |
| 4.25 % | 06-1-05 | - | 3,267 | - |
| 4.25 % | 12-1-05 | 3,303 | 3,303 | 690 |
| 4.25 % | 06-1-06 | 3,376 | 3,376 | 817 |
| 4.25 % | 12-1-06 | 3,445 | 3,445 | 548 |
| 4.25 % | 06-1-07 | 3,521 | 3,521 | 472 |
| 4.25 % | 12-1-07 | 3,593 | 3,593 | 400 |
| 4.25 % | 06-1-08 | 3,670 | 3,670 | 323 |
| 4.25 % | 12-1-08 | 3,748 | 3,748 | 245 |
| 4.25 % | 06-1-09 | 3,829 | 3,829 | 164 |
| 4.25 % | 12-1-09 | 2,316 | 2,316 | 83 |
| Total - Series A Bonds | | \$ 30,801 | \$ 37,263 | \$ 3,742 |

2001 MI Transportation Fund Bonds

Bond Date - September 01, 2001

Interest Payable Sept. 1 & March 1

Authorized Issue \$700,000

| | | | | |
|-----------------------------------|--------|------------|------------|------------|
| 4.55 % | 9-1-04 | \$ - | \$ 35,000 | \$ - |
| 4.55 % | 9-1-05 | 40,000 | 40,000 | 26,163 |
| 4.55 % | 9-1-06 | 40,000 | 40,000 | 24,343 |
| 4.55 % | 9-1-07 | 40,000 | 40,000 | 22,523 |
| 4.55 % | 9-1-08 | 45,000 | 45,000 | 20,589 |
| 4.55 % | 9-1-09 | 45,000 | 45,000 | 18,541 |
| 4.55 % | 9-1-10 | 50,000 | 50,000 | 16,380 |
| 4.55 % | 9-1-11 | 50,000 | 50,000 | 14,105 |
| 4.55 % | 9-1-12 | 50,000 | 50,000 | 11,830 |
| 4.55 % | 9-1-13 | 55,000 | 55,000 | 9,441 |
| 4.55 % | 9-1-14 | 55,000 | 55,000 | 6,939 |
| 4.55 % | 9-1-15 | 60,000 | 60,000 | 4,323 |
| 4.55 % | 9-1-16 | 65,000 | 65,000 | 1,479 |
| Total 2001 MI Transportation Bond | | \$ 595,000 | \$ 630,000 | \$ 176,656 |

City of Marlette

Other Supplemental Information Schedule of Indebtedness June 30, 2005

General Obligation Bonds / Installment Contracts

May 8, 1999 Installment Purchase Contract

3391 S. Main Street

Principal and Interest payable April 15 and October 15

Authorized issue \$80,000

| Interest Rate | Date of Maturity | Principal Outstanding | | Remaining Interest Payable |
|---|------------------------|-----------------------|------------------|----------------------------------|
| | | June 30, 2005 | June 30, 2004 | |
| 4.25 % | 10-15-04 | \$ - | \$ 4,001 | \$ - |
| 4.25 % | 04-15-05 | - | 4,091 | - |
| 4.25 % | 10-15-05 | 4,174 | 4,174 | 767 |
| 4.25 % | 04-15-06 | 4,267 | 4,267 | 674 |
| 4.25 % | 10-15-06 | 4,354 | 4,354 | 587 |
| 4.25 % | 04-15-07 | 4,449 | 4,449 | 492 |
| 4.25 % | 10-15-07 | 4,541 | 4,541 | 400 |
| 4.25 % | 04-15-08 | 4,638 | 4,638 | 303 |
| 4.25 % | 10-15-08 | 4,737 | 4,737 | 204 |
| 4.25 % | 04-15-09 | 4,851 | 4,851 | 90 |
| Total -3391 S. Main Street Install Purch Contract | | \$ 36,011 | \$ 44,103 | \$ 3,517 |

City/Twp. Building - Tri-County Bank

May 7, 2002 Installment Purchase Contract

Principal and Interest payable Nov. 7 and May 7

Authorized issue \$62,650

| | | | | |
|---|---------|-----------|-----------|----------|
| 4.46 % | 11-7-04 | \$ - | \$ 2,726 | \$ - |
| 4.46 % | 5-7-05 | - | 2,795 | - |
| 4.46 % | 11-7-05 | 2,888 | 2,888 | 1,042 |
| 4.46 % | 5-7-06 | 2,952 | 2,952 | 978 |
| 4.46 % | 11-7-06 | 3,017 | 3,017 | 913 |
| 4.46 % | 5-7-07 | 3,084 | 3,084 | 846 |
| 4.46 % | 11-7-07 | 3,152 | 3,152 | 778 |
| 4.46 % | 5-7-08 | 3,222 | 3,222 | 708 |
| 4.46 % | 11-7-08 | 3,293 | 3,293 | 637 |
| 4.46 % | 5-7-09 | 3,366 | 3,366 | 564 |
| 4.46 % | 11-7-09 | 3,440 | 3,440 | 490 |
| 4.46 % | 5-7-10 | 3,516 | 3,516 | 414 |
| 4.46 % | 11-7-10 | 3,594 | 3,594 | 336 |
| 4.46 % | 5-7-11 | 3,674 | 3,674 | 256 |
| 4.46 % | 11-7-11 | 3,755 | 3,755 | 175 |
| 4.46 % | 5-7-12 | 3,633 | 3,633 | 81 |
| Total City/Twsp. Building Purchase Contract | | \$ 46,586 | \$ 52,107 | \$ 8,218 |

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2005

Installment Note Payable

Elgin Street Sweeper

Dated November 10, 2000

Principal and Interest payable quarterly

Authorized issue \$142,000

| Interest Rate | Date Of Maturity | Principal Outstanding | | Remaining Interest Payable |
|--|------------------------|-----------------------|---------------------|----------------------------------|
| | | June 30, 2005 | June 30, 2004 | |
| 5.45 % | 9-1-04 | \$ - | \$ 7,578 | \$ - |
| 5.45 % | 12-1-04 | - | 7,682 | - |
| 5.45 % | 3-1-05 | - | 7,784 | - |
| 5.45 % | 6-1-05 | - | 7,890 | - |
| 5.45 % | 9-1-05 | 7,994 | 7,994 | 218 |
| 5.45 % | 12-1-05 | 8,594 | 8,594 | 106 |
| Total Installment Note Payable | | <u>\$ 16,588</u> | <u>\$ 47,522</u> | <u>\$ 324</u> |
| Total Governmental Bonds, Contracts, & Loans | | <u>\$ 2,856,866</u> | <u>\$ 3,023,058</u> | <u>\$ 1,509,740</u> |

Business-type General Obligation Bonds & Purchase Contracts

Municipal Purchase Contract

Water Main Installation - Fenner St.

Contract Date - November 26, 2001

Principal and Interest Payable November 8

Authorized Issue \$194,000

| | | | | |
|-----------------------------------|---------|-------------------|-------------------|------------------|
| 4.20 % | 11-1-04 | \$ - | \$ 17,256 | \$ - |
| 4.20 % | 11-1-05 | 18,060 | 18,060 | 6,121 |
| 4.20 % | 11-1-06 | 18,829 | 18,829 | 5,352 |
| 4.20 % | 11-1-07 | 19,631 | 19,631 | 4,551 |
| 4.20 % | 11-1-08 | 20,456 | 20,456 | 3,725 |
| 4.20 % | 11-1-09 | 21,338 | 21,338 | 2,844 |
| 4.20 % | 11-1-10 | 22,246 | 22,246 | 1,935 |
| 4.20 % | 11-1-11 | 23,237 | 23,237 | 992 |
| Total Municipal Purchase Contract | | <u>\$ 143,797</u> | <u>\$ 161,053</u> | <u>\$ 25,520</u> |

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2005

Revenue Bonds

Sewer Revenue Bonds, Series 1994

Dated August 1, 1994

Interest payable July 1, & January 1

Authorized issue \$210,000

| Interest Rate | Date Of Maturity | Principal Outstanding | | Remaining Interest Payable |
|--|------------------------|-----------------------|------------------|----------------------------------|
| | | June 30, 2005 | June 30, 2004 | |
| 4.50 % | 7-1-05 | \$ - | \$ 2,000 | \$ - |
| 4.50 % | 7-1-06 | 4,000 | 4,000 | 8,460 |
| 4.50 % | 7-1-07 | 4,000 | 4,000 | 8,280 |
| 4.50 % | 7-1-08 | 4,000 | 4,000 | 8,100 |
| 4.50 % | 7-1-09 | 4,000 | 4,000 | 7,920 |
| 4.50 % | 7-1-10 | 4,000 | 4,000 | 7,740 |
| 4.50 % | 7-1-11 | 4,000 | 4,000 | 7,560 |
| 4.50 % | 7-1-12 | 4,000 | 4,000 | 7,380 |
| 4.50 % | 7-1-13 | 4,000 | 4,000 | 7,200 |
| 4.50 % | 7-1-14 | 4,000 | 4,000 | 7,020 |
| 4.50 % | 7-1-15 | 4,000 | 4,000 | 6,840 |
| 4.50 % | 7-1-16 | 4,000 | 4,000 | 6,660 |
| 4.50 % | 7-1-17 | 4,000 | 4,000 | 6,480 |
| 4.50 % | 7-1-18 | 6,000 | 6,000 | 6,300 |
| 4.50 % | 7-1-19 | 6,000 | 6,000 | 6,030 |
| 4.50 % | 7-1-20 | 8,000 | 8,000 | 5,760 |
| 4.50 % | 7-1-21 | 8,000 | 8,000 | 5,400 |
| 4.50 % | 7-1-22 | 8,000 | 8,000 | 5,040 |
| 4.50 % | 7-1-23 | 8,000 | 8,000 | 4,680 |
| 4.50 % | 7-1-24 | 8,000 | 8,000 | 4,320 |
| 4.50 % | 7-1-25 | 8,000 | 8,000 | 3,960 |
| 4.50 % | 7-1-26 | 8,000 | 8,000 | 3,600 |
| 4.50 % | 7-1-27 | 8,000 | 8,000 | 3,240 |
| 4.50 % | 7-1-28 | 8,000 | 8,000 | 2,880 |
| 4.50 % | 7-1-29 | 8,000 | 8,000 | 2,520 |
| 4.50 % | 7-1-30 | 8,000 | 8,000 | 2,160 |
| 4.50 % | 7-1-31 | 10,000 | 10,000 | 1,800 |
| 4.50 % | 7-1-31 | 10,000 | 10,000 | 1,350 |
| 4.50 % | 7-1-32 | 10,000 | 10,000 | 900 |
| 4.50 % | 7-1-33 | 10,000 | 10,000 | 450 |
| Total Sewer Revenue Bond | | \$ 188,000 | \$ 190,000 | \$ 150,030 |
| Total Business-type Bonds & Purchase Contracts | | \$ 331,797 | \$ 351,053 | \$ 175,550 |

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

**Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

To the City Council
City of Marlette
Marlette, Michigan 48453

I have audited the general purpose financial statements of the City of Marlette, Michigan, as of and for the year ended June 30, 2005, and have issued my report thereon dated September 22, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Marlette, Michigan's general purpose financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Marlette, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and the City Council and Federal and State agencies and is not intended to be an should not be used by anyone other than these specified parties.

Lehn King

Lehn L. King

Certified Public Accountant

September 22, 2005

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

September 22, 2005

Honorable Mayor and
Members of the City Council
City of Marlette
City of Marlette, Michigan

In accordance with your request, I have made an examination of the financial statements of the City of Marlette for the fiscal year ended June 30, 2005. During the course of my examination an item came to my attention on which I would like to comment and offer my recommendation.

- a. Per P.A. 621 of 1968, the council does not have authorization to spend money until the budget is officially enacted by the Council. This must be done prior to July 1. This budget should be included with the minutes of the City. The budget must be amended prior to the expenditure exceeding the budgeted item.

I thank the City officials and employees for the cooperation I received in the completion of this examination.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant

City of Marlette, Michigan

Sanilac County, Michigan

Federal Awards
Supplemental Information
June 30, 2005

City of Marlette
Federal Awards
Supplemental Information
Year Ended June 30, 2005

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LEHN L. KING

Certified Public Accountant

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

Members of the City Council
City of Marlette
Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, and each major fund, of the City of Marlette, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marlette, Michigan's management. My responsibility is to express opinions on these financial statements based on our audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. And audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the City of Marlette, Michigan as of June 30, 2005, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 22, 2005, on my consideration of the City of Marlette, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marlette, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Marlette, Michigan. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lehn King

Certified Public Accountant

September 22, 2005

LEHN L. KING

Certified Public Accountant

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

Members of the City Council
City of Marlette
Lapeer County, Michigan

**Report on Internal Control over Financial Reporting and on Compliance And
Other Matters based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards***

I have audited the accompanying financial statements of the governmental activities, and each major fund information, of the City of Marlette, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the City of Marlette, Michigan's basic financial statements and have issued my report thereon dated September 22, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Marlette, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters.

As part of obtaining reasonable assurance about whether the City of Marlette, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lehn King

Certified Public Accountant

September 22, 2005

LEHN L. KING

Certified Public Accountant

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MARLETTE, MICHIGAN 48453

Phone 989-635-3113
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Members of the City Council
City of Marlette
Sanilac County, Michigan

**Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance
In Accordance with OMB Circular A-133**

I have audited the compliance of the City of Marlette, Michigan, with the types of compliance requirements described in the U.S. Office Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Marlette, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Marlette, Michigan's management. My responsibility is to express an opinion on the City of Marlette, Michigan's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Marlette, Michigan's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Marlette, Michigan's compliance with those requirements.

In my opinion, the City of Marlette, Michigan, complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Marlette, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I consider the City of Marlette, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would be not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matter involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should be not used by anyone other than these specified parties.

Lehn King

Certified Public Accountant

September 22, 2005

City of Marlette
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

| <u>Federal Agency / Pass-through Agency / Program Title</u> | <u>CFDA Number</u> | <u>Pass-through Entity Project / Grant No.</u> | <u>Award Amount</u> | <u>Federal Expenditures</u> |
|---|------------------------|--|-------------------------|---------------------------------|
| <u>U.S. Department of Commerce</u> | | | | |
| Federal EDA - Industrial Park Grant Agreement | 11.300 | N/A | \$ 816,000 | \$ 610,412 |
| <u>U.S. Department of Housing & Urban Development</u> | | | | |
| CDBG - Industrial Park Grant Agreement | 10.760 | N/A | \$ 655,350 | \$ 433,111 |
| <u>U.S. Department of Transportation</u> | | | | |
| Highway Research Planning & Construction - Passed Through State of Michigan - Department of Transportation | 20.205 | STP0574(006) | \$ 320,000 | <u>\$ 32,013</u> |
| Total Federal Awards | | | | <u><u>\$ 1,075,536</u></u> |

See Notes to Schedule of Expenditures of Federal Awards.

City of Marlette
Reconciliation of Basic Financial Statements
Federal Revenue with Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

| | |
|---|--------------------------------|
| Revenue from Federal Sources - As Reported on Financial Statements | \$ 1,184,008 |
| Less Contributions Received for Train Depot Restoration | (13,588) |
| Less Contributions Received for Cemetery Memorial Chappel | (24,672) |
| Less State Grant Received For Expenditures incurred in Prior Year | (18,100) |
| Less State Grant - Public Safety | (469) |
| Less FEMA - Cops Reimbursement Grant | <u>(51,643)</u> |
| Federal Expenditures per the Schedule of Expenditures of Federal Awards | <u><u>\$ 1,075,536</u></u> |

City of Marlette
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Note 1 – Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Marlette, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

City of Marlette
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Section 1 - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: **Unqualified**

Internal Control over Financial Reporting:

- | | | | | |
|---|-------|-----|--------------|---------------|
| - Material weakness(es) identified? | _____ | Yes | <u> X </u> | No |
| - Reportable condition(s) identified that are not considered to be material weaknesses? | _____ | Yes | <u> X </u> | None reported |

Noncompliance material to Financial Statements noted?

_____ Yes X No

Federal Awards

Internal control over Major Program(s):

- | | | | | |
|---|-------|-----|--------------|---------------|
| - Material weakness(es) identified? | _____ | Yes | <u> X </u> | No |
| - Reportable condition(s) identified that are not considered to be material weaknesses? | _____ | Yes | <u> X </u> | None reported |

Type of auditor report issued on compliance for Major Program(s): **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of Major Program(s):

| <u>CFDA No.</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------|---|
| 11.300 | EDA - Industrial Park Grant |
| 14.228 | CDBG - Industrial Park Grant |
| 20.205 | Highway Planning & Construction |

Dollar threshold used to distinguish between Type A and Type B Programs: **\$300,000**

Auditee qualified as low-risk auditee? _____ Yes X No

Section 2 - Financial Statement Audit Findings

None

Section 3 - Federal Program Audit Findings

None